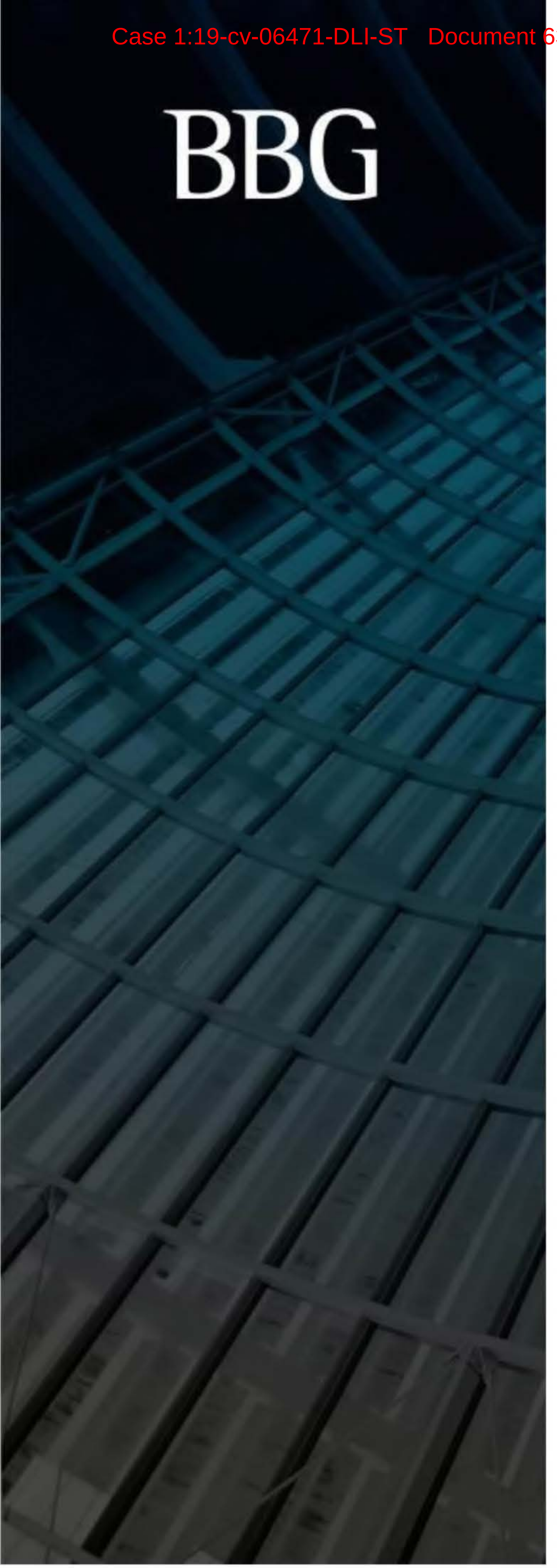
EXHIBIT 18



APPRAISAL REPORT

A Development Site
Block 1122, Lots 1, 68 and 71
840 Atlantic Avenue (aka 547 Vanderbilt Avenue),
847 and 853 Pacific Street
Brooklyn, NY 11238

REQUESTED BY

Mr. Sam Rottenberg
SPR Group
390 Berry Street, Suite 201
Brooklyn, NY 11249

PREPARED BY

BBG, INC.
112 Madison Avenue, 11th Floor
New York, NY 10016

DATE OF VALUE

June 26, 2018 – As Is

Exhibit
P18

BBG

July 9, 2018

Mr. Sam Rottenberg
SPR Group
390 Berry Street, Suite 201
Brooklyn, NY 11249

Re: Appraisal File No. 118005877
A Development Site
840 Atlantic Avenue (aka 547 Vanderbilt Avenue), 847 and 853 Pacific Street
Block 1122 Lots 1, 68 and 71
Brooklyn, NY 11238

Dear Mr. Rottenberg:

In accordance with your request, we have completed an appraisal of the above-captioned property for the purpose of advancing an opinion of the as is value of the fee simple interest as of June 26, 2018.

The subject property is a 29,000 square foot, U-shaped development site located on the eastern blockfront of Vanderbilt Avenue between Atlantic Avenue and Pacific Street in the Prospect Heights neighborhood of Brooklyn, City and State of New York. There is 170 feet of frontage on Atlantic Avenue, 200 feet of frontage on Vanderbilt Avenue and 120 feet of non-contiguous frontage on Pacific Street. The site is identified on the Kings County tax map as Block 1122 Lots 1, 68 and 71. Lot 1 contains a 3,760 square foot McDonalds building and Lots 68 and 71 are vacant. Lots 1 and 68 are split zoned M1-1 and R6B, and Lot 71 is zoned M1-1. In total 22,000 square feet is zoned M1-1 and 7,000 square feet is zoned R6B. The table below summarizes the development potential as of right.

	Lot						
	1	71	68	Total	FAR as of Right	Buildable Area	Frontage
Total Site Area	22,000	4,500	2,500	29,000			
M1-1 Zoned	17,000	4,500	500	22,000	1.00	22,000	170 ft on Atlantic Ave, 200 ft on Vanderbilt Ave, 45 ft on Pacific St and 5 ft mid block on Pacific St
R6B Zoned	5,000		2,000	7,000	2.00	14,000	70 feet on Pacific Street, mid block
Total				29,000		36,000	

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NEW YORK, NY 10016

BBGRES.COM

The subject is currently leased to McDonalds. We have been asked to provide an as is value of the subject assuming the property can be developed as of right.

Brooklyn Community District 8 is seeking to rezone areas zoned M1-1 to allow mixed use development and a higher FAR. The subject is located within this area, known as the M-CROWN rezoning area. It is possible the subject could be rezoned in the future. More information about the rezoning is provided in the Zoning section of the report.

The highest and best use of the subject property is 2 separate developments: one 14,000 square foot residential development located on the R8B portion of the site and one 22,000 square foot commercial development located on the M1-1 portion of the site. Our conclusion is based upon the physical characteristics of the subject property, the nature of the location, the current zoning and general market trends affecting the property.

Our analyses, opinions and conclusions were developed, and this report has been prepared, in conformance with the Standards of Professional Practice and Code of Professional Ethics of the Appraisal Institute, the Uniform Standard of Professional Appraisal Practice (USPAP), and Title XI (with amendments) of the Financial Institutions Reform, Recovery and Enforcement Act of 1989 (FIRREA).

After carefully considering all available information concerning the subject property and all apparent factors affecting value, we have concluded at the following value estimates for the subject property:

Value	Date	Conclusion
"As Is"	June 26, 2018	$18,800,000

The opinions of value expressed herein are subject to the certification, assumptions and limiting conditions, and all other information contained in the following written appraisal report.

Thank you for the opportunity to serve you.

Sincerely,

Mi Zell

Michelle Zell, MAI
Senior Appraiser
State Certified General Appraiser #46-49921
(212) 682-8293
mzell@bbgres.com

SUMMARY OF SALIENT FACTS AND CONCLUSIONS

Subject Property:	A Development Site Block 1122, Lots 1, 68 and 71 840 Atlantic Avenue (aka 547 Vanderbilt Avenue), 847 and 853 Pacific Street Brooklyn, NY 11238
Property Description:	The subject property is a 29,000 square foot, U-shaped development site located on the eastern blockfront of Vanderbilt Avenue between Atlantic Avenue and Pacific Street in the Prospect Heights neighborhood of Brooklyn, City and State of New York. There is 170 feet of frontage on Atlantic Avenue, 200 feet of frontage on Vanderbilt Avenue and 120 feet of non-contiguous frontage on Pacific Street. The site is identified on the Kings County tax map as Block 1122 Lots 1, 68 and 71. Lot 1 contains a 3,760 square foot McDonalds building and Lots 68 and 71 are vacant. Lots 1 and 68 are split zoned M1-1 and R6B, and Lot 71 is zoned M1-1. In total 22,000 square feet is zoned M1-1 and 7,000 square feet is zoned R6B.
Location:	The subject is on the eastern blockfront of Vanderbilt Avenue between Atlantic Avenue and Pacific Street in the Prospect Heights neighborhood of Brooklyn, City and State of New York.
Block/Lot:	Block 1122, Lots 1, 68 and 71
Site Area:	29,000± square feet
Zoning:	M1-1 and R6B
Maximum Buildable Area:	36,000± square feet
Flood Hazard Status:	Zone X, an area of minimal flooding per Flood Insurance Rate Map #360497-0212F, effective September 5, 2007.
Highest and Best Use:	As Vacant – commercial and residential development As Improved – demolition of existing improvements for commercial and residential development
Property Rights Appraised:	Fee simple
Date of Inspection:	June 26, 2018

Market Value Conclusions:

Value	Date	Conclusion
"As Is"	June 26, 2018	$18,800,000

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INTRODUCTION

IDENTIFICATION OF THE SUBJECT PROPERTY

The subject property is a 29,000 square foot, U-shaped development site located on the eastern blockfront of Vanderbilt Avenue between Atlantic Avenue and Pacific Street in the Prospect Heights neighborhood of Brooklyn, City and State of New York. There is 170 feet of frontage on Atlantic Avenue, 200 feet of frontage on Vanderbilt Avenue and 120 feet of non-contiguous frontage on Pacific Street. The site is identified on the Kings County tax map as Block 1122 Lots 1, 68 and 71. Lot 1 contains a 3,760 square foot McDonalds building and Lots 68 and 71 are vacant. Lots 1 and 68 are split zoned M1-1 and R6B, and Lot 71 is zoned M1-1. In total 22,000 square feet is zoned M1-1 and 7,000 square feet is zoned R6B. The table below summarizes the development potential as of right.

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R6B Zoned	5,000		2,000	7,000	2.00	14,000	70 feet on Pacific Street, mid block
Total				29,000		36,000	

PURPOSE OF THE APPRAISAL

The purpose of the appraisal is to advance an opinion of the as is market value of the subject's fee simple interest.

CLIENT/INTENDED USER/ INTENDED USE OF THE APPRAISAL

The client and intended user is Vanderbilt Atlantic Holdings LLC and its related entities, successors, and assigns. The intended use of the appraisal is for asset valuation purposes.

PROPERTY RIGHTS APPRAISED

For our analysis of the subject property as a development site, the property interest being appraised is the fee simple interest. A fee simple estate can be defined as: "an absolute fee; a fee without limitations to any particular class of heirs or restrictions, but subject to the limitations of eminent domain, escheat, police power, and taxation. An inheritable estate."

DATES OF VALUE OPINIONS

The date of our opinions of value "As Is" is June 26, 2018. Michelle Zell, MAI inspected the site and its environs on that date.

SALE AND OWNERSHIP HISTORY

According to New York City records, Lots 1, 68 and 71 have been owned by M.M.B. Associates, LLC for many years. Lot 1 has been leased to McDonalds since 1998. The lots have not sold within the past 5 years.

COMPETENCY

We have experience appraising similar properties, and possess the knowledge and competency to produce a credible value opinion.

EXTRAORDINARY ASSUMPTIONS

According to The Dictionary of Real Estate Appraisal (6th Edition), an Extraordinary Assumption is "An assumption, directly related to a specific assignment, as of the effective date of the assignment results, which, if found to be false, could alter the appraiser's opinions or conclusions. Extraordinary assumptions presume as fact otherwise uncertain information about physical, legal, or economic characteristics of the subject property; or about conditions external to the property such as market conditions or trends; or about the integrity of data used in an analysis." In the development of our opinions of value, we have applied the following extraordinary assumptions: **The subject is currently leased to McDonalds. We have been asked to provide an as is value of the subject assuming the property can be developed as of right.**

HYPOTHETICAL CONDITION

According to The Dictionary of Real Estate Appraisal (6th Edition), a Hypothetical Condition is 1. A condition that is presumed to be true when it is known to be false; 2. A condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purpose of analysis. Hypothetical conditions are contrary to known facts about physical, legal, or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends; or about the integrity of data used in an analysis." In the development of our opinions of value, we have applied the following Hypothetical Condition: **None.**

ACCURACY OF INFORMATION

Information, estimates and opinions furnished to the appraiser and contained in the report were obtained from sources considered reliable and believed to be true and correct. However, no responsibility for the accuracy of such items furnished can be assumed by the appraiser.

DEFINITION OF MARKET VALUE[1]

The following definition of market value is used by agencies that regulate federally insured financial institutions in the United States:

> *The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition are the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:*

Buyer and seller are typically motivated;

Both parties are well informed or well advised, and acting in what they consider their best interests;

A reasonable time is allowed for exposure in the open market;

Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and

The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

DEFINITION OF REAL ESTATE-RELATED FINANCIAL TRANSACTION[2]

Any transaction involving:

The sale, lease, purchase, investment in or exchange of real property, including interests in property, or the financing thereof; or

The refinancing of real property or interests in real property; or

The use of real property or interests in property as security for a loan or investment, including mortgage-backed securities.

EXPOSURE TIME

Exposure time has been defined, as the estimated length of time the real property interest appraised would have been offered in the market prior to the hypothetical consummation of a sale at market value on the effective date of appraisal; a retrospective estimate based on an analysis of past events assuming a competitive and open market.

Exposure time is always presumed to precede the effective date of appraisal. It is our opinion that a normal exposure time for the subject property is between six months and one year. This conclusion is predicated on interviews with brokers and other real estate industry sources and on

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[1] Interagency Appraisal and Evaluation Guidelines; December 10, 2010, Federal Register, Volume 75 Number 237, Page 77472

[2] *12 U.S.C. 3350(5) (FIRREA section 1121(5)*

information obtained in the verification process. The value reported herein presumes such an exposure time.

ESTIMATE OF REASONABLE MARKETING TIME

Given the subject's present condition and location and the marketing times for similar land sites in New York City, we estimate the marketing time for the subject to be between six months and one year.

SCOPE OF THE APPRAISAL

BBG, Inc. has been retained by Vanderbilt Atlantic Holdings LLC to prepare a market valuation of the subject property. Within the course of this assignment, we have:

Performed an inspection of the subject property.

Researched and investigated the subject's location in terms of its economic activity, development patterns, and future trends and related their impact on the subject market.

Analyzed the subject's zoning, physical characteristics and specific location to determine the highest and best use of the site.

Researched and analyzed sales of development site sales within Brooklyn.

Performed a residual analysis to obtain an as is value.

Estimated the Market Value of the subject property "As Is".

AREA MAP

Subject
840 Atlantic Ave
Brooklyn, NY 11238
Hoboken
Jersey City
NEW JERSEY
Liberty State Park
Greenwich Village
East Village
Soho
Tribeca
Little Italy
Chinatown
Greenpoint
Williamsburg
Brooklyn Heights
South Brooklyn
Red Hook
Bedford-Stuyvesant
Adelphi
Atlantic Ave
Crown Heights
Park Slope
Prospect Park
Greenwood Cemetery
NEW YORK
KINGS
QUEENS
Bushwick
Ridgewood
Maspeth
Sunnyside
Elmhurst
Middle Village
Glendale
Woodhaven
Cypress Hills
East New York
Brownsville
East Flatbush
Flatbush
Kensington
Borough Park
Bay Ridge
Dyker Heights
Flatlands
Canarsie
Upper New York Bay
Jamaica Bay
Statue of Liberty National Monument

CURRENT ECONOMIC CONDITIONS

The expansion of the U.S. economy hit 106 months in April and is now the second longest in the post-World War II period. Real GDP growth in 2017 was steady with the fourth quarter marginally slower than the prior two quarters and the full year pace slightly higher than the post-recession average. Both consumption and investment spending are expected to strengthen in 2018 as a consequence of the recently enacted Tax Cut and Jobs Act ("TCJA") and the increase in federal spending caps. As of February, tax withholding schedules reflect the personal income tax reductions, lifting take-home pay. With consumer sentiment high, plentiful jobs, and rising household wealth, fundamentals point toward heightened consumption spending. Likewise, business investment has been strengthening, encouraged by low (but increasing) borrowing costs, rising equity values, and lower corporate tax rates. In addition, the full capital expensing allowances in the TCJA should incentivize capital spending. For these reasons, the growth contribution of business investment is expected to increase over the next two years. While a persistent trade deficit is expected to be a drag, overall growth is projected to accelerate over the next two years.

Nearly all measures of national labor conditions indicate a tight market. The unemployment rate has been holding at lows last seen during the tech boom 17 years ago and has remained well below most estimates of the natural rate. Despite labor supply constraints, the average monthly job gains in the first quarter of 2018 were up from 2017 as potential workers were coaxed into the labor force. Despite tight conditions, wage indicators remain sluggish. While this may be a sign of further slack in the labor supply—primarily part-time and discouraged workers that have yet to be drawn into full-time positions—the inevitable demographic pressure from retiring baby boomers will eventually push labor force participation rates down. Thus, in the short run, employment growth increases marginally over the next two years due to the fiscal stimulus. However, hiring is projected to decelerate starting in 2020 while wages are forecast to strengthen.

After a remarkably tranquil period, volatility returned to Wall Street. Favorable conditions in 2017 pushed equity indices to double digit gains while measures of volatility remained at historic lows. Many of these positive factors will persist in 2018 including stronger corporate profits, an easing regulatory environment, and lower corporate tax rates. However, markets entered a choppy period in 2018 due partly to trade frictions and the announcement of punitive tariffs on U.S. trading partners. Counterintuitively, the volatility helped the biggest banks. After booking strong profits in 2017, first quarter earnings reports revealed that the elevated uncertainty boosted trading revenues as investors reallocated portfolios. In addition, the gradual increase of interest rates, driven partly by the Fed's tightening monetary policy, has helped support net interest income. The Fed's new chairperson, Jerome Powell, will likely continue to remove monetary accommodation slowly to avoid derailing economic expansion. Expected actions include two or three additional hikes of the fed funds rate this year and further shrinkage of the Fed's balance sheet.

The New York City economy extended its expansion into a ninth year, albeit with signs of moderation. The job market remained robust with employment and labor force hitting record levels and the unemployment rate dropping to an all-time low at the beginning of 2018.

However, since 2014, job growth has been steadily decelerating, a trend that is predicted to continue through the end of the forecast horizon as the job market remains near full employment. The tight labor market, in turn, may finally be putting upward pressure on compensation. Wage earnings growth was strong through the first three quarters of 2017, with a boost from robust bonuses on Wall Street. Other sectors such as manufacturing, retail, and other services are also starting to see stronger wage gains, due partly to the start of the $15 minimum wage policy.

Other parts of the local economy are starting to slow. Weaker office using employment growth and a full pipeline of office development have resulted in a downshift in leasing activity and slower gains in asking rents. Commercial vacancy rates are expected to increase, driven by jumps in Midtown inventory from projects like Hudson Yards. Likewise, residential real estate, particularly the high-end condo market, has been slowing. Condo prices fell in 2017 and are expected to stay soft for the immediate future. This results in a dip in average prices for all categories of housing in 2018. One bright spot is the tourism industry, which remains a pillar of growth. In 2017, visitor volume to the City increased for the eighth consecutive year to another record. The higher demand for accommodations has stimulated development of new hotels and a jump in inventory. This has kept occupancy rates flat and put downward pressure on room rates.

The U.S. Economy

As of April, the U.S. economy entered the 106th month of expansion, matching the second longest post-WWII boom during the 1960's. The economy continues to produce steady GDP growth with the latest estimate placing fourth quarter 2017 growth at 2.9%, up from the prior estimate of 2.5%, which brought full year 2017 to 2.3%. Most signs point toward sustained growth over the near future. Consumption continues to be driven largely by robust spending, which hit a 4% annual pace in the fourth quarter, accounting for 2.75 percentage points of growth. However, part of the jump was induced by post-hurricane outlays, which will not continue into 2018. Nevertheless, an additional boost is expected from higher disposable income resulting from the recent TCJA passed at the end of last year. Investment spending added another 0.78 percentage point growth in the fourth quarter and would have been even higher if not for drag induced by a drawdown of private inventories. Another headwind came from net exports, which switched from a roughly quarter point contribution in each of the first three quarters of 2017 to a 1.16 percentage point drag in the fourth.

While consumption was the engine of growth in 2017, the early data in 2018 is signaling a temporary slowdown, partly as a consequence of the elevated fourth quarter. In particular, after quarterly gains averaging under 1% for the first three quarters, retail sales accelerated to 2.5% in the fourth—the fastest growth in seven years—lifted by strong sales in autos and building materials. However, there was payback in the first quarter as growth dropped to just 0.2%. Likewise, the personal consumption expenditure data showed a downshift in January and February 2018 to just 0.2% monthly growth, below the 0.5% average in the last quarter of 2017. This slowdown was puzzling given that consumption was expected to be boosted by the TCJA. In February, the IRS published updated withholding tables, which raised take-home pay for nearly all U.S. workers. The lack of spending was associated with a rebound of the personal savings rate from a 12-year low of 2.4% at the end of 2017 and speculation that consumers might be saving the windfall or paying down debt rather than making new purchases. Nevertheless,

there is early evidence that consumers may be responding with a lag—the March retail sales data showed a jump to 0.6% after three negative months. With consumer confidence running at its highest level since the tech boom, a tight job market, and rising household wealth, the fundamentals point toward continued strength, keeping consumption's growth contribution near two-thirds over the next two years.

Both business and residential investment made positive contributions to growth in the final quarter of 2017. However, while the former is expected to continue into 2018, the latter is likely transitory. The pace of business investing picked up in the fourth quarter, pulling non-residential fixed investment growth to 4.7% for the full year, a rebound from a 0.6% contraction in 2016. This acceleration was helped by low borrowing costs, rising equity values, steady growth, and the anticipation of corporate tax cuts promised by the Trump administration. Durable goods orders reflected this momentum, jumping to 4% growth in the final quarter of 2017, bringing the annual pace to 5.9%, a 6-year high. The prospects for continued progress appear good, with corporate tax cuts and, more importantly, the full capital expensing allowances in the TCJA incentivizing higher capital spending. For these reasons, the forecast expects business investment to accelerate above the 2017 pace and contribute approximately 0.7 and 0.9 percentage points to GDP growth in 2018 and 2019, respectively.

After two quarters of contraction, residential investment bounced back strongly in the fourth quarter of 2017, driven by the recovery from the severe hurricane season. The nearly 13% jump added almost half a percentage point boost to GDP growth, but the full year tailwind was negligible at less than 0.1 percentage point. It is unlikely that a significant housing boost will endure into 2018. Seasonally adjusted new home sales have contracted for three consecutive months ending in February, and single-family housing starts have also struggled at the beginning of 2018, dropping 0.5% in the first quarter. Other impediments to stronger housing growth in the near future include higher mortgage rates, tighter lending standards, and lower limits on mortgage interest deductions imposed by the TCJA. As a result, the forecast projects just 1.5% and 2.8% growth of residential investment in 2018 and 2019, respectively.

The Trump administration's announcement of a broad array of tariffs on Chinese imports and the tit-for-tat response brought trade issues to the forefront of policy debates. Drag from net exports subtracted over a full percentage point from growth in the fourth quarter after three quarters of positive contribution. The fundamental basis for a trade deficit comes from an imbalance between national savings and national investment. If a country saves less than it invests—for instance, through strong private consumption or public dissaving (e., government deficits)—then the difference is made up through net imports. As a result, targeting a particularly good or country for restrictions will not address the overall source of the deficit. For example, a decade ago, nearly half of the U.S. trade deficit in goods was due to high imports of petroleum products. Due to the oil production boom and an end to a ban on all U.S. oil exports, this share has been cut to just 8% in 2017. The nominal value of the petroleum trade deficit shrank by $328 billion over this period, yet the overall goods deficit declined by just $21 billion (or 2.6%). Thus, despite the removal of one of the largest sourced behind the deficits a decade ago, the balance is largely unchanged as other non-petroleum import categories filled the gap.

The Congressional Budget Office ("CBO") recently estimated that the TCJA and the recently passed Bipartisan Budget Act of 2018 will increase the federal deficit over the next 10 years by $2.7 trillion and bring the federal debt to 95% of GDP, up from 77% in 2017. As a result, without a dramatic increase in private saving, it is unlikely that the U.S. trade deficit will improve, and net exports are projected to continue subtracting from growth through the end of the forecast horizon.

The job market is booming with nearly all measures indicating little slack in the labor market. The unemployment rate has been holding at a 17-year low of 4.1% for 6 straight months through March, well below the Fed's median estimate of longer run employment (4.5%) and the CBO's estimate of the natural rate of unemployment (4.6%). Nevertheless, monthly employment gains averaged roughly 200,000 in the first quarter 2018, up from a monthly pace of about 180,000 in 2017. This was possible because prospects of ample jobs are pulling workers off the sidelines. After a 9-year decline, the labor force participation rate bottomed out in 2015 and increased to 62.8% in 2017, albeit well below the all-time peak of 67.1% at the end of the tech boom.

The broadest measure of unemployment (known as U-6), which includes part-time workers who want full-time jobs as well as discouraged workers, fell to 8% in March. However, the last time the national unemployment rate was at the current level (December 2000), U-6 was even lower at 6.9%. This suggests that there might still be some slack left in the labor supply, which would help explain why wage growth is still sluggish—average hourly wages grew 2.7% in the first quarter (year over year), up marginally from the 2.5% pace of the prior quarter. The Atlanta Fed's wage growth tracker, which tries to correct for composition biases in the BLS earnings survey, reported average wage growth of 3.1% in the first quarter 2018, down from 3.3% in 2017. The one wage measure that has been showing some strength is the BLS employment cost index, which accelerated to 2.8% in the fourth quarter 2017, the strongest pace since 2008 but still well below the peak of 3.5% hit at the end of the last expansion.

Without faster immigration or more rapid population growth, the inevitable demographic impact of the aging workforce and retirement of the baby boomers will continue to put downward pressure on the labor force participation rate and ultimately result in a deceleration in hiring due to supply constraints. As a result, while employment growth rates are now projected to increase marginally over the next two years due to the fiscal stimulus, hiring begins to decelerate from 2020 through the remainder of the forecast. At the same time, average wages will rise steadily to more than 4% growth in the out years.

After two remarkably tranquil years, volatility returned to Wall Street with the 9-year bull market faltering at the start of 2018. Last year, investors were motivated by a number of encouraging signs including steady economic growth, strong labor markets, strengthening corporate profits, prospects of corporate and individual tax cuts, low interest rates, and an absence of inflation pressures. While nearly all of these factors remain unchanged, fears of incipient inflation and the potential central bank response triggered a reassessment of risk tolerance in the first quarter. Further unease was caused by President Trump's protectionist impulses which led to tariffs on steel, aluminum, and a range of Chinese imports.

In retrospect, equity market performance in 2017 was a historical outlier. The S&P 500 and Dow appreciated strongly, up 19% and 25%, respectively, while volatility was nearly non-existent. The CBOE's VIX, a measure of S&P 500 expected volatility, averaged just 11.1 in 2017, nearly half of the 10-year average level of 20. In early November, this "fear index" dropped to 9.1, the lowest value ever reported in data going back to 1990. Likewise, the share of S&P trading days with index changes greater than 1%--the trading days ratio—dropped precipitously from 19% in 2016 to just 3% in 2017, lowest since 1965. While January started strongly with S&P gains of 5.6%, February opened with a stunning fall that wiped out the year to date gains in just 3 trading sessions. By the end of the first week of February, both the S&P and Dow were down by more than 10% from their prior highs.

The initial selloff was precipitated by the January U.S. employment report released in February showing wages growing at the strongest annual rate since the recession. This was treated as an early indicator of latent inflation pressures but was ultimately revised downward in subsequent employment reports. A second bout of turmoil hit at the end of March with the S&P and Dow each shedding nearly 6% over the week. This slump was driven by the tit-for-tat threats with China that started when President Trump announced punitive tariffs on Chinese imports. The S&P and Dow ended the first quarter down 8.1% and 9.4%, respectively, from their prior highs. Not surprisingly, volatility measures soared with the VIX hitting a 2-1/2 year high of 37 in early February. The trading days ratio jumped to 63% in February, up from 10% the month prior.

The big banks profited from the return of choppy conditions. The first quarter is typically strongest for banks and investment firms as clients reallocate portfolios and raise money for new projects. However, the sudden return of volatility created an additional boost in trading activity, particularly on the equities side. All the Big Five banks announced double digit jumps in equity trading in the first quarter, which boosted their consolidated pre-tax net earnings by 18.5%, driven by net revenue gains of 9.2% over the same quarter last year. For the investment banking units of these firms, earnings were up 10.1%. The results from fixed income trading were less sanguine with only Goldman Sachs and Morgan Stanley reporting gains in bond trading. Compensation jumped 7.2% (year over year), significantly higher than the 2.4% growth for full year 2017.

While the first quarter results for the full set of NYSE member firms is not yet available, these early earnings reports foreshadow strong Wall Street profits. Fourth quarter 2017 results were already robust with quarterly profits nearly triple that of the same quarter the prior year and highest since the third quarter 2012. Revenues grew by 20.4% while expense rose just 10.3%. The strength was unexpected, however, as many of the banks had announced writedowns and accounting charges associated with the newly passed tax cut legislation, so it was unclear how these moves would affect their bottom lines. Nonetheless, profits for the full year 2017 totaled $24.5 billion, a 7-year high. The forecast expects that the tailwinds that helped Wall Street in 2017, including the steep jump in equity prices and low interest rates, will abate. As a result, profits are projected to decline to $20.5 billion in 2018.

Aside from weak fixed income trading, another challenge facing Wall Street is the rise in interest rates resulting from increasing fiscal deficits and tightening by the Fed and global central banks. Thus far, the higher rates have been a boost, allowing lenders to charge higher rates to

borrowers. For example, rates on 30-year fixed mortgages have climbed nearly half a percentage point over the first quarter. As a result, first quarter net interest income earned by the Big Five banks increased by 0.8% over the prior quarter, the fifth consecutive quarterly gain. However, the benefits will also depend on the slope of the yield curve since intermediaries must fund their lending, usually through shorter term arrangements. As short-term rates rise, this funding gets more expensive—the fastest growing expense in the fourth quarter profit report was interest expense, which jumped 83% in 2017.

The yield curve has both shifted up and flattened over the last year with the spread between the two and 10-year Treasury yields declining steeply since the flare up of equity market volatility in February. Over the subsequent 2-month period, the spread flattened by 33 basis points, all of which was due to an increase of short-term yields. These were boosted by the issuance of short-term Treasuries to fund expanding budget deficits and the Fed's interest rate hikes in March. The forecast projects that 10-yer Treasury yields will climb steadily, passing 3% in the second quarter of this year and approach 4% in the second half of 2020 when rates start to plateau. However, short-term rates climb faster, which implies a flatter yield curve through 2020.

In rare situations, yield curves have inverted with shorter rates higher than longer yields. In nearly all cases, this was a sign of an impending recession. While spreads are falling, they are not signaling a downturn. On the contrary, the new Fed chairperson, Jerome Powell, who took the reins from Janet Yellen in February, inherits a robust economy and strong labor market combined with an uncertain policy outlook in Washington. As of March, the unemployment rate remained at 4.1% for a sixth consecutive month while consumer price inflation, as measured by the personal consumption expenditures index ("PCE"), had risen by 1.8% in the previous 12 months. The core price index, which excludes the prices of energy and food, grew by 1.6% during the same period. As of February 2018, both indexes had remained below the FOMC's longer term objective of 2%.

Given these circumstances, Powell intends to continue the gradual reduction of monetary accommodation pursued by his predecessor. However, some economists have argued that Powell's proposition has been "hawkish" compared to Yellen's, particularly in light of his recent push for faster rate hikes indicated by a higher median projection of the year end federal funds rate. In addition to a federal funds rate hike, the Federal Reserve has also been gradually reducing its holdings of U.S. Treasury bonds and securities. However, as the Fed continues to cut back on policy accommodation, it has also pushed for tougher stress tests to ensure that large banks will have sufficient capital to weather a downturn.

The challenge facing Powell is to avoid derailing the economic expansion while maintaining control of inflationary pressures. At the March meeting, the committee decided the raise the target rate range for the federal funds rate by 0.25% from 1.5% (upper limit) to 1.75%. That decision reflected the enactment of the TCJA, a strong labor market, and a further increase in government spending. As of April 2018, such circumstances had raised the effective federal funds rate to 1.69%. The Fed's median projection of the year end federal funds rate indicates a gradual rise during the next 3 years, and the Fed is expected to raise the rate two more times this year and another three in 2019. As of the FOMC's March meeting, the median longer term projection is 2.9%. Nevertheless, taking a position similar to Yellen's, Powell has maintained

that monetary policy will be revised as the outlook changes and as better economic data becomes available. Financial market evidence shows that investors' expectations are aligned with the Fed. Currently, the path of the fed funds futures market implies the most likely dates for future rate increases are in June and September. These two hikes would bring the federal fund rate into a range of 2% to 2.25% by year end.

As part of restoring monetary policy to pre-recession norms, the Fed ratified the Addendum to the Policy Normalization Principals and Plans on June 2017, which is a blueprint for shrinking the Fed's balance sheet. The Fed plans to gradually reduce securities holdings by decreasing its reinvestment of securities held in the System Open Market Account ("SOMA"). Since June, the Fed's balance sheet has begun to fall after 8 years of expansion; its total assets have decreased to about \$4.42 trillion, down from a peak of \$4.95 trillion in February 2015. The FOMC left its options open, however, by stating that the reinvestment of maturing assets held by the Fed may resume if the economic outlook changes.

To ensure a smooth path toward a less accommodating environment, the Fed had prepped firms for adverse economic conditions. Under the Dodd-Frank Wall Street Reform and Consumer Protection Act (i.e., Dodd-Frank Act), state nonmember banks and state savings institutions with total consolidated assets of \$10 billion or more are required to conduct annual stress tests. Dodd-Frank stress testing is a complementary exercise of Comprehensive Capital Analysis and Review directed by the Fed to assess whether banks will have sufficient capital under adverse economic conditions. The Fed announced that big banks would face more severe stress tests this year than in 2017 as it tightens monetary policy. In the adverse scenario projected by the review, banks and savings institutions face an economic downturn with declines in long-term rates and flattening yield curves, a moderate recession in the United States with unemployment reaching 7% in the third quarter of 2019, a decline in asset prices, and a tightening of financial conditions for corporations and households. In the severely adverse scenario, banks and savings institutions will face a severe global recession accompanied by an aversion to long-term fixed income assets, a 7.5% decline in U.S. real GDP, a 10% unemployment rate, a severe Eurozone recession, and economic slumps in developing Asian countries and in Japan. In contrast to last year's severely adverse scenario, this year's scenario focuses more on Asia.

The New York City Economy

The New York City economy extended its expansion through a ninth year, albeit with signs of moderation. One positive sign is that the population continues to climb. U.S. Census Bureau data reveals that the City's population grew at an annually compounded average of 0.7% from 2010 to 2017, well above the 0.1% rate through the 6 decades prior. Remarkably, in spite of the influx of new residents during the recent 7-year period, the number of unemployed shrank by half while employment and labor force hit record levels. In March, the unemployment rate remained at 4.2%--the lowest on record—while, at 60.9%, the labor force participation rate remained near an all-time high. In the nation, the participation rate peaked at 67.1% in 1997 but has fallen to 62.9% in 2017.

However, both population and job growth are decelerating. Private employment growth peaked in 2014 when it hit 3.8%; since then, it has fallen to 2.1% in 2017. The recent year's growth rate

is still well above the historical average of 1%, but New York City Office of Management and Budget ("OMB") projects that the decelerating trend will continue with the job market slowing to 1.5% (59,000 jobs) in 2018 and 1.4% (54,000 jobs) in 2019.

Private sector total wage earnings have been robust, growing at 5.2% through the first 3 quarters of 2017—well above the 2016 rate of 3%. By industry, significant improvements were reported in finance (5.9%, up from -1.1% in the first 3 quarters of 2016), information (6.9% vs. 3.4%), and retail (4.2% vs. 13%) and leisure & hospitality (6.6% vs. 8.5%).

Average wage growth through the same period hit 3%, a period that includes the first step in the $15 minimum wage policy. Evidence from the American Community Survey ("ACS") suggests that the law will have the most impact on workers in the retail trade, other services, and manufacturing industries, all of which are experiencing faster wage growth in the latest data. For example, through the first 3 quarters of 2017, manufacturing wages grew 4.9%, exceeding the 4.3% average growth rate through the prior 3 years. Likewise, wages in other services grew 4.7% compared to its 3.5% annual average. Retail wages increased 4.3% in 2017, nearly double the pace of its 2.4% annual average.

Employment growth in the finance sector peaked at 2.6% in 2014 only to decline through the next 3 years, flattening in the last. This sector's private employment share has been steadily decreasing from a peak of 14% in 1991, bottoming at 8.7% in 2017. The securities subsector suffered slight job losses in 2017 after averaging 2.2% growth through the prior 3 years.

The annual data benchmark revision released in February lowered 2017 securities job gains to nearly zero from the initial estimate of 2,300. Still, securities earnings have remained robust with a 6.3% annual growth rate through the first 3 quarters of 2017—the highest for this 3-quarter period since 2014. Aided by high Wall Street bonuses, average wages grew 7.5%, over double the compounded average growth rate of 3.4% through the 3 years prior and a rebound from wage declines in 2016. The NYS Comptroller's Office "NYOSC") estimates that Wall Street's bonus pool grew further in 2017, surging by 17% to $184,220—the highest in 11 years. It attributes this strength to increased profits from broker-dealer operations in New York Stock Exchange member firms. Similarly, OMB estimates that securities sector bonuses jumped 15.3% in 2017 but will decline slightly by 1.1% in 2018 and grow steadily at an average of 3.5% in the subsequent 4 years.

Finance and real estate related employment accounts for about one-third of all office using employment, with professional & business services and information accounting for the remainder. Each of these components has followed the same pattern: peaking in 2014 followed by a deceleration. As a result, office using growth has slowed from 3.5% in 2014 to 2.1% in 2017. These sectors historically account for an average of 38% of private employment and 60% of savings.

Weaker office using employment growth implies lower demand for office space. In response, commercial real estate activity has slowed. As of March, leasing activity totaled 7.1 million square feet, down 7% from the prior year. On the bright side, this is above the 6.3 million square foot historical first quarter average. However, asking rent growth was soft in 2017 and is

expected to drop to negative 1.7% in 2018. The aggregate data is the result of two separate patterns: a burst of Midtown activity and a decline in Downtown activity. Midtown leasing grew 12.4% year to date through March, up from 0.9% in the prior year, while Downtown activity declined 59.9%--a dramatic reversal from its 96.8% jump in the prior year that reflected absorption of new space at the World Trade Center complex. With Downtown's development pipeline starting to slow, leasing activity in 2018 will inevitably follow suit. There is currently 21.5 million square feet of office space under construction in Midtown that will spur further activity upon completion. OMB forecasts that the new space will lead to an increasing vacancy rate in Midtown, reaching 14.9% in 2022. Conversely, Downtown's vacancy rate will decline gradually to 6.9% in 2022. In 2017, the number of health care jobs increased by 4.9% (33,000 jobs)—the strongest ever recorded in available data going back to 1990. However, this momentum will likely cool as population growth slows. Therefore, OMB forecasts health care employment growth to slow to 1.6% in 2018 and decrease steadily thereafter, hitting 0.9% in 2022.

In 2016, the fastest growing sector was construction, which expanded by 5.7% (7,900 jobs). In 2017, construction employment slowed to 2.7% (3,900 jobs)—well above the 1.2% historical average. If expenditure patterns are any indicator of hiring, new construction jobs are being driven by non-residential construction and public works. The New York Building Congress ("NYBC") reveals that spending on non-residential construction accounted for 38% of total expenditures in 2017, public investment accounted for 37%, while residential only 24%. NYBC also forecasts that the number of new residential units produces will reach 26,700 in 2017 and decrease to 22,000 in 2019. OMB projects that growth in construction employment will echo this pattern, moderating to 1.8% in 2018 and weakening until it hits 0.9% in 2022.

Residential real estate transactions and average prices grew in 2017 by 1.5% and 3.9%, respectively, with notable shifts especially in the condo market. Condo sales grew 9.4%, bouncing back from a 0.5% decline in the prior year while prices decline 4%--reversing course from a 13.8% jump. Co-op sales decreased 5.9% for a third consecutive year of decline. However, the average price of co-ops jumped 5% after declining by over 2% in each of the prior 2 years. Activity in single-family homes remained stable; sales grew 1.6% (vs. 3.9% in 2016) while prices grew 7.9% (vs. 3.2%).

First quarter Manhattan co-op and condo sales plummeted 24.6% to 2,180, the lowest quarterly sales volume in 6 years. The absorption rate (months required to sell all listings at the current rate of sales) slowed to 8.4 months, the weakest pace also in 6 years, while the listing discount (the difference between the list and sale price) climbed to 5.5%, up from 4.2% in the prior year. These factors resulted in a 2% drop in median prices. For luxury properties (above $4 million), the median sale price dropped by 15.1%.

Restrictions on mortgage deductions in the TCJA may be contributing to these trends. The $750,000 cap (previously $1 million) on mortgages qualifying for interest deductions and the $10,000 cap on state and local tax ("SALT") deductions may temper demand for real estate going forward. OMB forecasts average residential prices will decline 1.8% in 2018 and 1.5% in 2019.

Tourism in New York City has remained robust. The City saw a record 62.8 million visitors in 2017, which marked its eighth consecutive year of growth in both domestic and international tourism markets. Although domestic visitors continue to dominate the tourism industry in New York City, the number of international visitors is on the rise. In 2017, domestic and international visitors in the City totaled 49.7 and 13.1 million, respectively. Visitor spending also increased in 2016, as did hotel inventory, both of which reflect the growing volume of visitors as well as an improving domestic and global economy. The impact is perhaps most salient on Broadway, a major City attraction, which reported gross revenue of $1.64 billion in 2017, up from $1.37 billion in 2016, a 19.8% jump. Likewise, attendance hit 13.7 million, up 3.6%.

The increased number of visitors in New York City boosted demand for hotel rooms and, in response, ample new hotel space has been added to the City's inventory, which jumped from 112,000 rooms in 2016 to 117,000 in 2017, a gain of 3.6%. Nights booked in hotel rooms reached 3.64 million in 2017, up from 3.48 million in 2016. However, the occupancy rate remained unchanged from previous years—87% in 2017—and room rates averaged about $279 in 2017, down from $281 in 2016. Direct visitor spending in 2016 reached $43 billion, growing 1.7% from 2015.

Risks to the Forecast

The rise of protectionist policies and the imposition of tariffs present a significant risk to the forecast and threaten economic growth. The TCJA and recently enacted Bipartisan Budget Act of 2018 will add an estimated $2.7 trillion to the federal deficit over the next 10 years, putting upward pressure on interest rates. This, in turn, could eventually dampen activity in interest sensitive sectors such as housing and exacerbate the trade deficit. Moreover, the impact of tighter caps on mortgage interest and state and local tax deductions imposed by the tax reform bill are still unknown and have the potential to adversely affect housing and labor markets. Monetary policy is also entering a difficult stage as the Fed attempts to normalize policy without upsetting financial markets which are already experiencing heightened volatility and uncertainty. Finally, geopolitical tensions with North Korea, Syria, Iran, and Russia remain ongoing risks.

BROOKLYN REGIONAL ANALYSIS

The New York Metropolitan Statistical Area (MSA) consists of the City of New York's five counties and the counties of Westchester and Rockland. The subject property is located in the City of New York, Kings County (Brooklyn). New York City's five boroughs cover 309 square miles. New York City is the nation's center for finance, the arts, media, fashion, telecommunications, and corporate headquarters.

The City's other boroughs are Manhattan (New York County), which forms the central political, financial, and cultural core of the City and is the economic growth engine for the Greater New York region; the Bronx (Bronx County); Queens (Queens County); and Staten Island (Richmond County). Brooklyn and Queens have the largest economies behind Manhattan.

Geographically, Brooklyn is situated at the western tip of Long Island and is bounded to the north and east by Jamaica Bay and Queens County, to the west by Upper and Lower New York Bays and the East River, and to the south by the Atlantic Ocean.

Population

NYC Total Population, 1980-2023

	1980	1990	2000	2010	Est 2018	2023 Projection
Overall	7,071,639	7,322,564	8,008,278	8,175,133	8,598,697	8,816,703
% Change		3.55%	9.36%	2.08%	5.18%	2.54%
Bronx	1,168,972	1,203,789	1,332,648	1,385,108	1,470,151	1,514,767
% Change		2.98%	10.70%	3.94%	6.14%	3.03%
Brooklyn	**2,230,936**	**2,300,664**	**2,465,323**	**2,504,700**	**2,647,777**	**2,717,521**
% Change		**3.13%**	**7.16%**	**1.60%**	**5.71%**	**2.63%**
Manhattan	1,428,285	1,487,536	1,537,201	1,585,873	1,651,786	1,686,012
% Change		4.15%	3.34%	3.17%	4.16%	2.07%
Queens	1,891,325	1,951,598	2,229,379	2,230,722	2,350,974	2,413,050
% Change		3.19%	14.23%	0.06%	5.39%	2.64%
Staten Island	352,121	378,977	443,728	468,730	478,009	485,353
% Change		7.63%	17.09%	5.63%	1.98%	1.54%

Source: 1980-2010, US Census; 2018 The Nielsen Company

New York City is home to more than 8 million people in over 3 million households. Brooklyn is the most populous borough with 31% of the City's population. Manhattan's 1.66 million residents, at approximately 49,100 residents per square mile, make it one of the most densely populated residential areas in the nation. While the 1970's and 1980's saw the continuing trend of migration of city residents to neighboring suburbs, due primarily to high housing costs and density of living, the total population is bolstered by the large number of immigrants arriving in the city each year.

The 5.18% increase in the City's census population from 2010 to 2018 can be attributed to the decrease in unemployment rate as well as increasing appeal of the City over the time period. In addition, more accurate Census counts may have benefited New York during this Census period. The City's population is expected to grow over the next 5 years at a slightly slower pace than that exhibited in the previous 5 years. New York City was one of the nation's few major cities to experience an increase in its population during the past decade. The City's population now totals

43% of the state's total population. Except for Staten Island, each of New York City's five boroughs has a population greater than 1,000,000.

BROOKLYN POPULATION TRENDS 2010-2023

Description	2010 Census	2018 Estimate	% Change 2010-2018	2023 Projection	% Change 2018-2023
Population	2,504,700	2,647,777	5.71%	2,717,521	2.63%
Households	916,856	918,388	0.17%	1,012,111	10.21%
Families	573,363	610,751	6.52%	628,866	2.97%

Source: The Nielsen Company

Claritas estimates the 2018 Estimate population for Brooklyn at 2,647,777 and projects 2.63% increase by 2023. The number of households in Brooklyn is also projected to increase 10.21% between 2018 and 2023 from 918,388 to 1,012,111. These statistics are reflective of a stable, mature market.

NEW YORK CITY ECONOMY AND EMPLOYMENT

The economy of New York City is the biggest regional economy in the United States and is home to the New York Stock Exchange and NASDAQ, the world's largest stock exchanges by market capitalization and trading activity. New York is distinctive for its high concentrations of advanced service sector firms in fields such as law, accountancy, banking, and management consultancy. Likewise, creative industries such as new media, advertising, fashion, design, and architecture account for a growing share of employment, with New York City possessing a strong competitive advantage in these industries.

New York City's employment base has historically enjoyed the distinction as an international center of business, commerce, tourism, and culture. The FIRE (finance, insurance, and real estate) and services (including the professions of legal, engineering services, consulting, tourism, recreation, health care, computers and data processing) segments are considered the primary sources of "white collar," or office prone, employment in the region.

NEW YORK CITY'S LARGEST EMPLOYERS

Employer	# of Employees
Verizon Communications, Inc. (VZ)	177,300
J.P.Morgan Chase & Co. (JPM)	249,257
International Business Machines Corp. (IBM)	379,592
Citigroup Inc. (C)	219,000
Philip Morris International (PM)	79,500
MetLife Inc. (MET)	58,000
PepsiCo Inc. (PEP)	271,000
American International Group Inc. (AIG)	65,000
Prudential Financial Inc. (PRU)	48,331
Pfizer Inc. (PFE)	96,500

Source: Crain's Book of Lists 2018

New York City's largest employers are a diverse group of multinational corporations spanning a variety of industries including financial services/banking, telecommunications, health care, insurance, and pharmaceuticals.

Businesses in New York City can capitalize on the synergy created from the presence of more than 200,000 companies, the access to investment capital and consumers, and the City's attractive quality of life. Companies in New York City include headquarters and regional offices of leading world companies including 52 Fortune 500 firms—the second highest of any city in the United States followed by California which has 54 Fortune 500 firms—making New York one of the nation's headquarters capital.

NYC EMPLOYMENT BY INDUSTRY (000'S)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018 (March)
Construction	118.5	119.7	124.4	118.1	107.4	104.4	120.8	133.6	138.3	146.3	158.2	152.0
Manufacturing	101.0	89.1	81.8	79.9	73.3	74.2	76.0	76.5	78.0	76.3	74.5	72.5
Trade, Transportation, and Utilities	576.6	562.5	578.8	556.8	584.5	584.1	593.7	622.4	629.0	629.4	644.5	631.3
Information	165.9	160.1	168.8	159.3	160.6	174.8	178.6	185.1	189.1	192.6	189.6	197.5
Financial Activities	467.9	430.4	456.7	434.2	434.9	444.6	434.0	450.4	459.7	465.8	477.3	470.4
Professional and Business Services	591.4	578.7	600.9	583.5	606.1	639.3	639.4	672.4	699.8	723.4	757.6	748.2
Education and Health Services	707.0	756.4	738.5	764.1	781.9	763.9	819.9	845.3	869.4	930.2	991.0	1,001.8
Leisure and Hospitality	297.0	310.8	307.0	320.5	339.3	365.9	379.6	413.6	425.7	437.6	449.0	443.5
Other Services	158.1	162.3	164.0	167.0	157.5	171.1	174.1	179.8	184.8	187.3	194.3	191.0
Government	559.2	557.1	564.6	538.2	544.4	585.0	545.5	540.5	549.9	552.4	559.2	551.2
Total	3,742.6	3,727.1	3,785.5	3,721.6	3,789.9	3,907.3	3,961.6	4,119.6	4,223.7	4,341.3	4,495.2	4,459.4

Source: New York State Department of Labor

From 2007 to March 2018, decreases in private employment in the city were seen in only a few of the sectors. There were increases in most sectors, the largest of which were Education and Health Services, Professional and Business Services, and Leisure and Hospitality. Manufacturing has been hit the hardest by the financial crisis and recession.

Office-using employment amounts to approximately 30% of total New York City employment, reflective of the financial and services orientation of the local economy. New York City's prime office inventory is concentrated in Manhattan, south of Central Park, within the two major submarkets of Downtown and Midtown. Brooklyn's central business district in Downtown Brooklyn is anchored by Brooklyn Borough Hall and MetroTech Center, a 16-acre urban corporate campus. Long Island City in Queens is located across the East River from Midtown Manhattan and has long been a center of manufacturing, distribution, and industrial services.

Brooklyn Economy and Employment

Brooklyn's job market is driven by three main factors: the performance of the national/city economy, population flows, and the borough's position as a convenient back office for New York's businesses. Since 2003, the number of businesses in Brooklyn has grown at a much faster rate of growth than in the rest of the City. Job growth has also been strong, nearly twice as fast as in the rest of New York City. Jobs in the borough have traditionally been concentrated in manufacturing, but since 1975, Brooklyn has shifted from a manufacturing-based economy to a service-based economy.

Over the past decade, Brooklyn has expanded at a rapid pace by attracting new businesses and residents. Downtown Brooklyn is New York City's largest business district outside of Manhattan, and there are a few other important economic centers in the borough, including the Brooklyn Navy Yard, Sunset Park, Williamsburg and Greenpoint.

The Greater Downtown Brooklyn area is the borough's largest business district, accounting for 17 percent of the jobs in the borough. With its proximity to Manhattan, lower-cost Class A office space and excellent transportation options, Downtown Brooklyn has attracted sizable job concentrations in business and professional services, finance and education.

Brooklyn is becoming popular with high-tech and creative firms, as well as online retailers such as Etsy. Many of these firms are locating in Downtown Brooklyn, Dumbo and the Brooklyn Navy Yard, an area known as the Brooklyn Tech Triangle.

The Brooklyn Navy Yard, one component of the Brooklyn Tech Triangle, is a 300-acre industrial park with 4 million square feet of leasable space. The Navy Yard has more than 330 businesses (including manufacturers, artists, distributors, a distillery, food processors, filmmakers and a medical lab) that employ nearly 7,000 people. The Navy Yard has been undergoing an expansion, with new or renovated buildings to include a sustainable design center, a green manufacturing center, new film and television studio facilities, and a new 240,000-square-foot medical lab.

Nearly 8 percent of the jobs in Brooklyn are in Sunset Park. Sunset Park is a major manufacturing center, with activity clustered in three facilities. Industry City, is a shipping and manufacturing terminal dating from the 1890s. It is New York's largest privately held manufacturing property, with 6 million square feet in 16 buildings on 30 acres. The property is seeking to attract a growing group of manufacturers in food, clothing and technology. MakerBot, a manufacturer of 3-D printers, opened a 50,000-square-foot factory at the site in 2013. Nearby is the Brooklyn Army Terminal, a 97-acre City-owned former military depot which has been converted to commercial and manufacturing uses. The City plans to invest $100 million in the Terminal to create new commercial space. The third facility is the South Brooklyn Marine Terminal, an 88-acre site along the Bay Ridge Channel. In 2012, the New York City Economic Development Corporation completed $115 million in renovations to help reactivate maritime freight services. The site also has the City's first large recycling facility, completed in 2013, which is a state-of-the-art design with a rooftop solar array.

Currently health care and retail account for almost half of the jobs in Brooklyn. In recent years, Brooklyn has benefited from a steady influx of financial back office operations from Manhattan, the rapid growth of a hi-tech/entertainment economy in DUMBO, and strong growth in support services such as accounting, personal supply agencies and computer services firms.

The following table summarizes the labor force statistics of Brooklyn compared to the other boroughs of New York City.

MARCH 2018 LABOR FORCE DATA

	Labor Force (000's)	Employed (000's)	Unemployed (000's)	Unemployment Rate
Bronx County (Bronx)	624.3	588.1	36.2	5.8%
Kings County (Brooklyn)	**1,252.0**	**1,198.8**	**53.3**	**4.3%**
New York County (Manhattan)	945.3	909.9	35.4	3.7%
Queens County (Queens)	1,196.8	1,153.1	43.7	3.7%
Richmond County (Staten Island)	227.7	218.3	9.4	4.1%
New York City	4,244.5	4,066.7	177.8	4.2%

SOURCE: NYS DEPARTMENT OF LABOR

Unemployment Rates

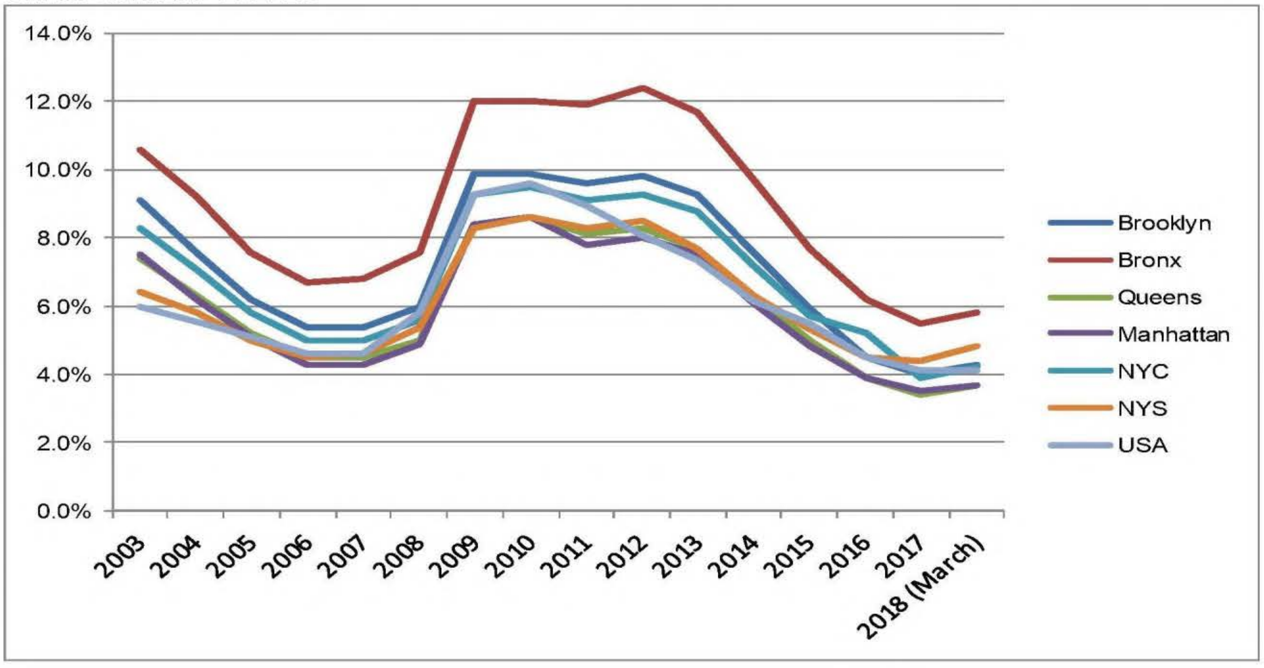
As of March 2018, Brooklyn's unemployment rate was 4.3% which is relatively the same as the New York City (4.2%), and slightly below the New York State (4.8%) and the country overall (4.1%). These statistics indicate a continued decrease and as of last year, stabilization in unemployment rate in Brooklyn as the city has rebounded from the recession. While historically, employment in Brooklyn has lagged that of New York City the gap is beginning to close with unemployment lower than pre-recession levels. The following table illustrates historical and current unemployment rates:

UNEMPLOYMENT RATES

Year	Brooklyn	Bronx	Queens	Manhattan	NYC	NYS	USA
2003	9.1%	10.6%	7.4%	7.5%	8.3%	6.4%	6.0%
2004	7.6%	9.2%	6.3%	6.2%	7.1%	5.8%	5.5%
2005	6.2%	7.6%	5.2%	5.1%	5.8%	5.0%	5.1%
2006	5.4%	6.7%	4.5%	4.3%	5.0%	4.5%	4.6%
2007	5.4%	6.8%	4.5%	4.3%	5.0%	4.6%	4.6%
2008	6.0%	7.6%	5.0%	4.9%	5.6%	5.4%	5.8%
2009	9.9%	12.0%	8.4%	8.4%	9.3%	8.3%	9.3%
2010	9.9%	12.0%	8.6%	8.6%	9.5%	8.6%	9.6%
2011	9.6%	11.9%	8.1%	7.8%	9.1%	8.3%	8.9%
2012	9.8%	12.4%	8.3%	8.0%	9.3%	8.5%	8.1%
2013	9.3%	11.7%	7.7%	7.5%	8.8%	7.7%	7.4%
2014	7.6%	9.7%	6.3%	6.1%	7.2%	6.3%	6.2%
2015	5.9%	7.7%	5.0%	4.8%	5.7%	5.3%	5.5%
2016	4.5%	6.2%	3.9%	3.9%	5.2%	4.5%	4.5%
2017	4.0%	5.5%	3.4%	3.5%	3.9%	4.4%	4.1%
2018 (March)	4.3%	5.8%	3.7%	3.7%	4.2%	4.8%	4.1%

Source: NYS Department of Labor, Bureau of Labor Statistics

UNEMPLOYMENT TRENDS



Average household income in New York City increased by 68.3% between 2000 and 2018 from $57,645 to $97,040.

NYC AND STATE HOUSEHOLD INCOME

	New York City		New York State	
	2000 Census	2018 Estimate	2000 Census	2018 Estimate
Average Household Income	$57,645	$97,040	$61,489	$97,619
Median Household Income	$38,846	$60,916	$44,138	$65,700

Source: The Nielsen Company

The following table illustrates per capita income figures for New York City and the various boroughs.

NEW YORK CITY HOUSEHOLD INCOME

	Average Household Income 2000	Average Household Income 2018 (Est)	% Change 2000-2018
Bronx	$38,885	$56,345	44.90%
Brooklyn	**$46,279**	**$87,148**	**88.31%**
Manhattan	$83,976	$143,098	70.40%
Queens	$54,663	$88,850	62.54%
Staten Island	$67,698	$100,457	48.39%
New York City	$57,645	$97,040	68.34%

Source: The Nielsen Company, U.S. Census

While Brooklyn exhibits the second lowest average household income among the New York City boroughs, it has experienced the highest income growth since 2000.

Culture and Recreation

New York City offers an unsurpassed variety of cultural activities, containing hundreds of museums, art galleries, theaters, restaurants, and retail stores.

The City is home to such musical institutions as the New York City Symphony, Carnegie Hall, Lincoln Center, Brooklyn Academy of Music, and Metropolitan Opera and, with its many Broadway and off-Broadway plays and musicals, is the performing arts capital of the world. Several world-famous dance troupes are located in New York including the Alvin Ailey Company and Dance Theater of Harlem.

World class museums include the Metropolitan Museum of Art, Museum of Modern Art, The Guggenheim, and Museum of Natural History. Other attractions include the Statue of Liberty, New York Aquarium, Bronx Zoo, Brooklyn Botanical Gardens, Empire State Building, United Nations, New York Stock Exchange, and many others, which draw millions of visitors each year. Brooklyn is home to the Brooklyn Museum and Brooklyn Botanical Gardens on Eastern Parkway in Prospect Heights as well as the Brooklyn Children's Museum at Brooklyn Avenue and St. Marks Place in Crown Heights. The New York Aquarium is located in Coney Island.

Brooklyn also has a vibrant arts and culture scene, with more than 350 arts organizations, including musical, theatre and dance companies as well as museums and historical sites. These range from large, internationally known organizations through small avant-garde groups. A 2010

survey by the Downtown Brooklyn Arts Alliance found that 21 arts organizations served 2.7 million people had a payroll of $36.2 million and yielded $10.6 million in tax revenues.

The Brooklyn Museum, founded in 1895, is the City's second-largest in physical size (after the Metropolitan Museum of Art). It features a renowned Egyptian collection, and traditional American, Asian, and Islamic art as well as modern and contemporary artworks. Brooklyn has more than 230 performing arts spaces.

The Brooklyn Academy of Music (BAM) is the country's oldest performing arts center (it was 156 years old in 2017) and includes a 2,109- seat opera house and an 874-seat theater. Nearby, the Theater for a New Audience opened its new 27,000-square-foot home at the Polansky Shakespeare Center in 2013. This is the first new venue for classical theater in the City since the completion of Lincoln Center in 1965.

New York City has significant parkland including Central Park, an 843-acre oasis in Manhattan; Prospect Park in Brooklyn; and Jamaica Bay National Wildlife Refuge in Queens.

New York City has teams in every major professional sport. The real estate developer Bruce Ratner purchased the New Jersey Nets basketball team and relocated the team to Brooklyn. The Barclays Center opened in 2012 and is located above Atlantic Yards at the intersection of Flatbush and Atlantic Avenues in Downtown Brooklyn.

Educational and Professional Facilities

New York City has 173 schools of higher education including 21 two-year colleges, 45 four-year colleges, professional schools, law schools, and vocational schools. Manhattan is home to some of the most prominent educational institutions in the nation including Columbia University, New York University, The Juilliard School, and Manhattan School of Music. The CUNY (City University of New York) system offers an affordable education in its 6 community colleges and 11 campuses with 4-year and graduate programs across all 5 boroughs. Notable colleges and universities located outside Manhattan include Pratt Institute in Brooklyn—a well-recognized school of art and architecture; St. John's University and Queens College in Queens; and Fordham University in the Bronx. New York City also has two of the most highly regarded public high schools in the nation—Stuyvesant and Bronx Science. As in most urban areas, the City's public primary and secondary education system is considered only fair overall with a wide range in quality of education from district to district.

Brooklyn is also home to world-class cultural and academic institutions, which are integral parts of the local economy and the quality of life. Brooklyn's primary institutions of higher learning include Brooklyn College, Pratt Institute, and Brooklyn Law School. Brooklyn is also home to Kingsborough Community College. Brooklyn's premier public school is Brooklyn Technical, considered along with Stuyvesant and Bronx Science to be in the top three public high schools. Brooklyn is also home to many notable private schools include Packer Collegiate Institute and St. Ann's in Brooklyn Heights, The Friends School in Boerum Hill, Berkeley Carroll in Park Slope, and Poly Prep Country Day School in Dyker Heights.

New York City has 75 short-term general hospitals, many of which are affiliated with local professional universities. World famous research hospitals include NYU-Cornell, Rockefeller, Columbia, and New York Hospital. Other highly ranked hospitals include Memorial Sloan-Kettering Cancer Center, Mount Sinai Hospital, New York Eye and Ear Infirmary, and New York Presbyterian Hospital. Brooklyn is home to Long Island College Hospital, New York Methodist Hospital, Maimonides Hospital, Brooklyn Hospital, and Downstate Medical Center, among others.

Transportation

New York City is served by the most diverse transportation system in the United States. The region's transportation network links the area to the regional, national, and global commerce and trade. A brief synopsis of the area's transportation system follows:

Rail System

- ***NYC Subway System***: a 710-mile subway line servicing 4.5 million passengers on an average weekday and approximately 1.4 billion passengers a year. NYC Transit operates approximately 6,400 cars 24 hours a day throughout Manhattan, Queens, Brooklyn, and the Bronx. The 25 subway routes are interconnected, and many lines feature express trains, across-the-platform transfers to local trains, and "skip-stop" express service.

- ***Metro North***: Based in the landmark Grand Central Terminal in Midtown Manhattan, the MTA Metro North Railroad is the second largest commuter line in the United States, providing approximately 250,000 customer trips each weekday and some 73,000,000 trips per year. With 384 route miles and 775 miles of track, Metro North goes to 120 stations distributed in seven counties in New York State--Dutchess, Putnam, Westchester, Bronx, New York (Manhattan), Rockland, and Orange--and two counties in the state of Connecticut--New Haven and Fairfield.

- ***Long Island Railroad***: This commuter line runs from the eastern tip of Long Island to Pennsylvania Station in Manhattan and Atlantic Terminal in Brooklyn. The MTA Long Island Rail Road is the busiest commuter railroad in North America, carrying an average of 274,000 customers each weekday on 730 daily trains. In 1998, the LIRR completed a 10-year, $2.1 billion investment in improvements including the transformation of Penn Station into a modern, safe and attractive facility with a new 34th Street entrance.

- ***(PATH) Port Authority Trans-Hudson Subway System***: The PATH carries 70% of all passengers entering New York City from New Jersey. Approximately 220,000 commuters use the PATH each weekday.

Bus System

- ***New York City Transit***: Regularly scheduled bus service in New York City's five boroughs handles 2.5 million riders daily and 762 million annually. 181 local and 38 express bus routes operate in the five boroughs, covering 2,109 miles.

- ***Port Authority Bus Terminal***: Regional bus lines serve approximately 55 million passengers a year, with most service to and from New Jersey.

Airports

- ***Newark Airport***: The Port Authority of New York and New Jersey has operated Newark Liberty International Airport (EWR) under a lease with the City of Newark since March 22, 1948. EWR is located in Essex and Union Counties between the New Jersey Turnpike (accessible from Exits 13A and 14), U.S. Routes 1 & 9, and I-78. The airport is about 16 miles from Midtown Manhattan and consists of about 2,027 acres.

- ***LaGuardia Airport*** (LGA) has been operated by The Port Authority of New York and New Jersey under a lease with the City of New York since June 1, 1947. LGA consists of 680 acres and 72 aircraft gates. By the end of 2000, the combined Port Authority and airline investment for LaGuardia's Redevelopment Program was $830 million. The redevelopment program includes expanding and modernizing the Central Terminal Building, reconfiguring and widening roadways, improving runways and taxiways, a passenger terminal in the east end, airline modernization of gate areas and passenger service areas, and other rehabilitation projects.

- ***John F. Kennedy Airport*** (JFK) has been operated by The Port Authority of New York and New Jersey under a lease with the City of New York since June 1, 1947. JFK is located in the southeastern section of Queens County on Jamaica Bay. It is 15 miles by highway from Midtown Manhattan and consists of 4,930 acres, including 880 acres in the Central Terminal Area (CTA). The airport has more than 30 miles of roadway.

Summary

In the last two decades, Brooklyn has emerged as a destination for art, commerce, and industry. As it has moved away from its blue-collar roots, the borough has developed a thriving services sector, a diverse manufacturing base, and an increasing number of public and private cultural institutions that continue to lend cachet to Brooklyn. Major public-private initiatives, such as the Atlantic Yards complex, the redevelopment of the East River waterfront, and the continued expansion of the Brooklyn Navy Yard Industrial Park, all suggest that the City's efforts are oriented around broadening the borough's economic base, and improving the quality of life for residents, including an increasing number of high-income earners.

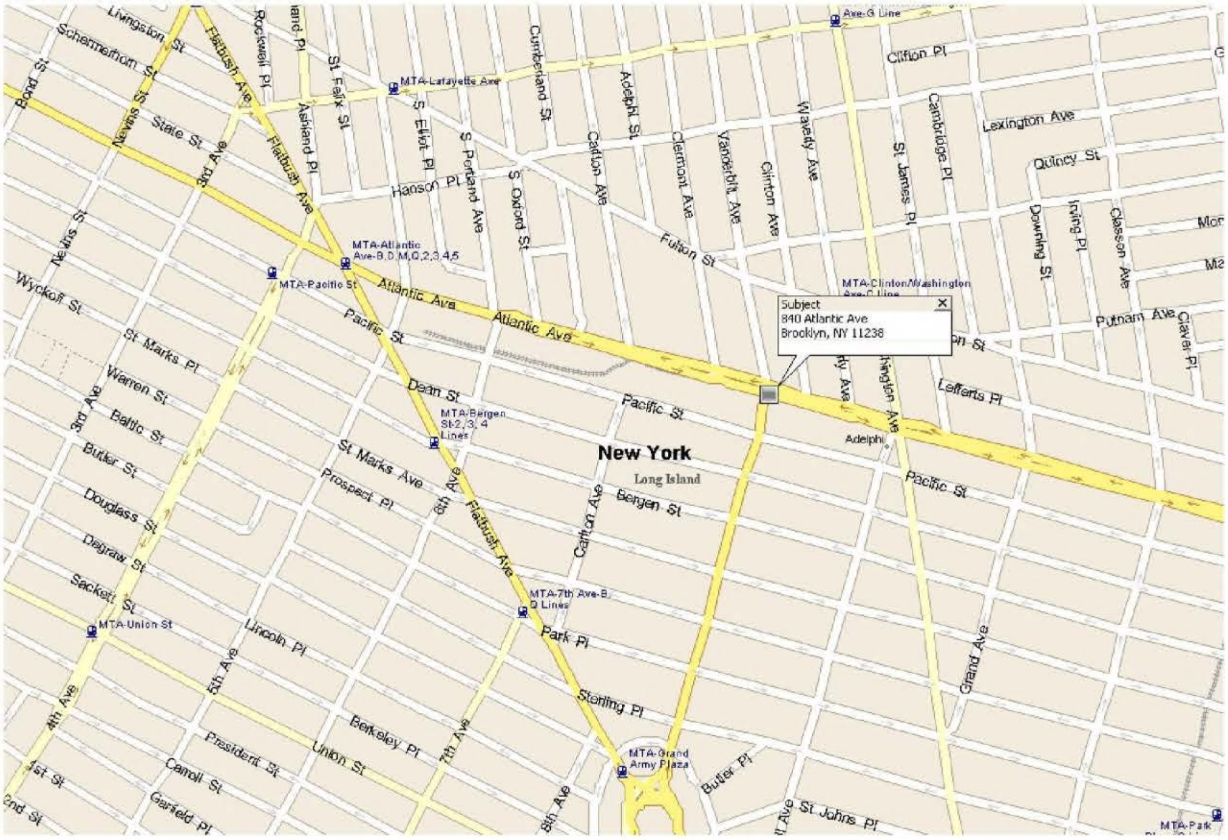
Recently completed and planned economic development projects will further strengthen the borough's economy. Brooklyn's public and private sectors, working alongside its academic and cultural institutions, are helping to create a favorable environment for economic growth.

BROOKLYN DEVELOPMENT SITE MARKET OVERVIEW

Source: Cushman and Wakefield

As indicated above, the market for development sites in Brooklyn has exhibited strong growth since its lows in 2009/2010. 2015 was a record year in terms of the number of sales; aggregate volume and pricing was unprecented. In 2016 and 2017, the pace of sales was down sharply. However the average price has remained fairly stable since 2015. In the first quarter of 2018, average price was $246 per buildable square foot, down 2% from year-end 2017. Further, 53 sites sold in Q1 2018. If this pace continues, it will be on par with 2017. The Q1 2018 dollar volume was $331 million, up 61% year over year. The trend toward increasing land value appears to be on the horizon.

NEIGHBORHOOD MAP



NEIGHBORHOOD DESCRIPTION

The subject property is located in the section of Brooklyn known as Prospect Heights. Prospect Heights is bound by Flatbush Avenue to the west, Bedford Avenue to the east, Atlantic Avenue to the north, and Empire Boulevard to the south. Prospect Heights borders Prospect Park and Grand Army Plaza, which hosts Brooklyn's largest farmers market several times per week.

Prospect Heights is located within Brooklyn Community District 8, which also includes Crown Heights. Between 1970 and 1980, the population of District 8 decreased by 27.1%. However, between 1980 and 1990, the population increased by 9.1%. Between 1990 and 2010, the population remained relatively stable, decreasing from 96,400 to 96,317.

TOTAL POPULATION	1990	2000	2010
Number	96,400	96,076	96,317
% Change	—	-0.3	0.3

The majority of the land in Community District 8 is used for residential purposes, multi-family homes (42.6%). Only 3.1% of the land in the district is vacant. Land use in Community District 8 as of 2011 is broken down as follows: